

COMMITTEE ON FINANCE
(Standing Committee of Berkeley County Council)

Chairman: Mr. Jack H. Schurlknight, Council Member District No. 6

A **meeting** of the **Committee on Finance**, Standing Committee of Berkeley County Council, was held on Monday, **January 25, 2010**, in the Assembly Room of the Berkeley County Administration Building, 1003 Highway 52, Moncks Corner, South Carolina, at 6:25 p.m.

PRESENT: Chairman Jack H. Schurlknight, Council District No. 6; Committee Member Phillip Farley, Council District No. 1; Committee Member Timothy J. Callanan, Council District No. 2; Committee Member Robert O. Call, Jr., Council District No. 3; Committee Member Cathy S. Davis, Council District No. 4; Committee Member Dennis L. Fish, Council District No. 5; Committee Member Caldwell Pinckney, Jr., Council District No. 7; Committee Member Steve C. Davis, Council District No. 8; County Supervisor Daniel W. Davis, ex officio; Mrs. Nicole Scott Ewing, County Attorney; and Ms. Barbara B. Austin, Clerk of County Council.

In accordance with the Freedom of Information Act, the electronic and print media were duly notified.

During periods of discussion and/or presentations, minutes are typically condensed and paraphrased.

Chairman Schurlknight called the meeting to order.

APPROVAL OF MINUTES

Chairman Schurlknight asked for approval of minutes from a meeting of the Committee on Finance held December 14, 2009.

It was moved by Committee Member Callanan and seconded by Committee Member Fish to **approve** the **minutes** as presented. The motion passed by unanimous voice vote of the Committee.

A. Consideration of the following:

Without objection, Chairman Schurlknight stated, “We will skip down to Number 3.”

3. A resolution accepting a **grant** of Seven Million Dollars (\$7,000,000) from the **South Carolina State Ports Authority**.

Chairman Schurlknight stated, “Gene, if you and Nicole – ya’ll like to come up and speak to that, please?”

Mrs. Nicole Scott Ewing, County Attorney, stated, “Good evening, Council. Included in your package is a letter from the State Ports Authority, which outlines the Port Authority’s commitment. To summarize, they have committed to giving \$7,000,000 to Berkeley County to facilitate the County’s management of the construction of the new interchange and to assist the County’s efforts to secure TBC Center, as you may recall, is Tire Kingdom. That is, basically, the two reasons that they have given it to us.”

It was moved by Committee Member Callanan and seconded by Committee Member Fish to **approve** consideration of a **resolution** authorizing a **grant** of \$7,000,000 from the **South Carolina State Ports Authority**. The motion passed by unanimous voice vote of the Committee.

1. A resolution authorizing a **grant** of Two Million Five Hundred Fifty Thousand Dollars (\$2,550,000) to **TBC Retail Group, Inc.**; and other matters related thereto.

Mrs. Ewing stated, “This is \$2.5 million of the \$7 million that you all just approved. It was part of the inducement package that was offered to TBC.”

It was moved by Committee Member Pinckney and seconded by Committee Member Fish to **approve** consideration of a **resolution** authorizing a **grant** of \$2,550,000 to the **TBC Retail Group, Inc.**

Committee Member Fish asked, “Yes; Mr. Chairman, why would we need a separate resolution if it is part of the one – if one is part of three – why is there a separate resolution?”

Mrs. Ewing responded, “It was easier to divide it up into two, I think, for tax purposes for, actually, TBC. The \$2.5 million is for relocation of machinery and other equipment, and then the remaining, the one that you are getting ready to consider, is for site work, utility installation, and so forth.”

Committee Member Fish stated, “I read that. Ok; thank you.”

The motion passed by unanimous voice vote of the Committee.

2. A resolution authorizing a **grant** of Four Million One Hundred Seventy-Three Thousand Dollars (\$4,173,000) to **TBC Retail Group, Inc.**, authorizing the County Supervisor to execute a grant agreement; and other matters related thereto.

It was moved by Committee Member Pinckney and seconded by Committee Member Fish to **approve** consideration of a **resolution** authorizing a **grant** of \$4,173,000 to the **TBC Retail Group, Inc.**, and authorizing the County Supervisor to execute a grant agreement. The motion passed by unanimous voice vote of the Committee.

**B. Mr. Larry Finney, CPA, Green, Finney & Horton, LLP,
Presentations, re:**

**1. Berkeley County Water and Sanitation (BCWS)
Agreed Upon Procedures Report**

Chairman Schurlknight stated, “Larry is going to be presenting the BCWS agreed upon procedures report.”

It was moved by Committee Member Cathy Davis and seconded by Committee Member Callanan to hold off on Mr. Larry Finney’s presentation of agreed upon procedures report for 30 days.

Committee Member Cathy Davis stated, “I would just like more time to look through some things, and I’m just not comfortable with going through this tonight.”

Chairman Schurlknight stated, “Ms. Davis, we’ve had this for awhile. Mr. Finney is down from Mauldin, and I feel like we need to proceed with this. I’m not sure exactly why we need any more time on...”

Committee Member Callanan questioned, “Mr. Chairman?”

Chairman Schurlknight responded, “Mr. Callanan.”

Committee Member Callanan stated, “I think we discussed this personally on the phone, and I had mentioned to you that I had some concerns about it, and I was just surprised to see it on the agenda, and I’m just simply not prepared to – after the exit interview, I don’t have the necessary amount of information that I need to proceed with this. So, holding this until the next Finance Meeting at the end of February, I think, is what we’re asking.”

Chairman Schurlknight questioned, “So, Mr. Callanan, what you’re saying is you didn’t realize it was going to be on the agenda until you got here tonight?”

Committee Member Callanan responded, “No; I didn’t realize it until Friday when I got the agenda, which is why I requested it not – where I requested it to be held.”

Committee Member Pinckney stated, “Mr. Chairman?”

Committee Member Callanan stated, “I mean, we have a motion and a second.”

Committee Member Fish stated, “I call for a vote.”

Committee Member Pinckney stated, “While there is a discussion period, and everybody jumped in prior to it, so if that’s the way we’re going to do it, then we need to handle it that way.”

Chairman Schurlknight stated, "Mr. Pinckney."

Committee Member Pinckney stated, "Getting back to holding it, I know when we first met on it and discussed it, if I'm not mistaken, some of the Committee Members or those present at that particular time, actually, wanted to hear it back January the 11th, and it was decided upon at that meeting, then, that we would have it tonight. That was decided among us. Now, all of a sudden, it wants to be held. I mean, we've already paid for the truth, so let's hear what the truth is. I don't see the justification for holding it any longer and especially, when initially, it was stated that someone was trying to delay the audit itself. This thing has been dragging on now for a little over a year and a half, with all the innuendos and unfounded statements. And, now, we've paid 50,000 plus dollars to find out what the truth is. I mean, I can't see what's the rationale for delaying the truth. The truth will always be the truth, regardless to how long you put it off, because the truth will stand by itself. I'm flabbergasted to understand why the delay."

Committee Member Callanan stated, "Mr. Chairman, I think I can guarantee the audience that in February, they will be shocked by the truth that comes out in this, and, like I said, I just think another month is not going to do us any harm on this."

Committee Member Fish stated, "I agree."

Mrs. Ewing asked, "May I ask a procedural question?"

Chairman Schurlknight responded, "Yes."

Mrs. Ewing stated, "The holding of the matter – I just need some clarification. Mr. Finney, I believe, has fulfilled all the engagement letter requirements, so his work is done. Are you going to be asking him..."

Committee Member Callanan responded, "Yes."

Mrs. Ewing asked, "Are you going to engage in a new engagement letter? Because, the scope of the engagement letter that was already signed upon has been completed, so there is no more investigating that Mr..."

Committee Member Callanan responded, "Correct. There is going to be no more investigating, but some of the information in there – the purpose of him making the presentation is so we can ask questions about some of his findings. And, some of his findings require us or, certainly, require me to have information that I want to have in front of me before I ask it. Had I known that it was going to be today, versus February, I would have worked a little bit harder to get that information, but I was led to believe two weeks ago, by the Chairman of this Committee, that it would not be til February."

Chairman Schurlknight stated, "Mr. Callanan, I want a little clarification on that conversation."

Committee Member Callanan stated, "Yes."

Chairman Schurlknight stated, "At that time, I told you I would look at it, but I could not promise anything. And, after looking at it, this thing has been set off, set back, for so long..."

Committee Member Callanan stated, "Thank you for the courtesy of a phone call."

Chairman Schurlknight stated, "And this is a cat and mouse type caper, evidently, that ya'll are trying to pull. I'm not sure exactly what's going on..."

Committee Member Callanan stated, "I don't even know what that means."

Chairman Schurlknight stated, "The audit..."

Committee Member Callanan stated, "But, it sounds like an accusation. I want this information to get out to the people."

Chairman Schurlknight stated, "I want the truth to get out. We paid for this audit, and I think we need to hear the audit now. If ya'll have some questions about it later, we can answer those questions. Now, some of your questions might be answered in the questions and answers session on this thing. So, I'm not sure exactly where ya'll are coming from on this. Bottom line, it is what it is. We spent \$50,000 on this audit that ya'll wanted. We got it. Ya'll have read it. Ya'll all have had enough time..."

Committee Member Callanan stated, "You're the one who made the motion for the audit."

Chairman Schurlknight stated, "Yes, as Chair Finance, but there was certain groups, certain people..."

Committee Member Callanan questioned, "Where was the Chair Finance at the time."

Chairman Schurlknight stated, "That was pushing this thing to get the audit."

Committee Member Fish questioned, "You think we'll have additional. We've had a motion and second, Mr. Chairman, I would call for the vote."

Supervisor Daniel Davis stated, "Mr. Chairman?"

Chairman Schurlknight stated, "Mr. Supervisor."

Supervisor Daniel Davis stated, "I think, probably, for the audience's edification, some of us are perplexed at what's going on. And, I would express that I'm a little perplexed too. You know, the purpose of this audit – and everyone had a say in the agreed upon procedures as to what we were trying – information we were trying to get. It sounds like, that, some are trying to make this an 'us against them' kind of a thing, when it wasn't that way at all. This audit was – everyone had some questions they wanted answered. And, if there's information – what I'm a little bit confused about is that if there was information that would have aided Mr. Finney in doing the audit – if you have some information or even if you suspect some things, I'm just curious why that wasn't provided to Mr. Finney, so that he could have included it in the audit. He could have looked at it, and then, we would have had a complete report, rather than where we find ourselves right now, and there is some suspicion that not everything has been looked at. Can I just ask why that information wasn't shared with Mr..."

Committee Member Callanan responded, "I have no idea what information you are talking about."

Supervisor Daniel Davis stated, "Well, I'm assuming you do know something or else then the audit is completed, and we can go forward with it tonight."

Committee Member Callanan stated, "The reason I don't want to go forward with it tonight or my reason that I, you know, there are several other people on this Council who have their reasons as well, is simply because when I do the question and answer period on this audit, I want to have certain information in front of me, so I can get the correct answers for that information. Since I was, as I said, I was led to believe by the Chairman of this Committee that we were not going to have it until the February meeting. I found out on Friday evening when I got my packet that it was on this. I wasn't even given the courtesy of a phone call to inform me that it was going to be on the agenda – that I was not given adequate time to get the information, which is why I want to put this off for another month. And, again, this has been going on for a year. I don't think another month is gonna hurt."

Committee Member Steve Davis stated, "Mr. Chairman."

Chairman Schurlknight stated, "Mr. Callanan, you know, you're saying you didn't find out until you got your packet. You know, I know there was phone calls all last week going on behind the scenes. In fact, I got a phone call by mistake looking for another Council Member to talk about this thing, and the audit and everything else. It seems that you had ample enough time to know it was on the agenda..."

Committee Member Callanan stated, "I found out it was on the agenda when I received my agenda."

Committee Member Steve Davis stated, "Mr. Chairman."

Chairman Schurlknight, "Yes, Sir..."

Committee Member Fish stated, "I also called up..."

Supervisor Daniel Davis stated, "Mr. Chairman, I would like to also point out that I got a call from Mr. Fish, I think either Wednesday or Thursday..."

Committee Member Fish stated, "Thursday."

Supervisor Daniel Davis stated, "And his reason for putting it off was related to Mr. Martin's situation, and his wife had passed away, and so he wanted to delay it because of that. I told him then that Mr. Martin was back at work and, I think, prepared to hear the audit. So, I'm a little bit – again, when Mr. Schurlknight talked about 'cat and mouse', now, we've heard, now, three different reasons for putting it off. And, it was alleged earlier – and the reason I told Mr. Fish that I wasn't in favor of delaying it was because there was an article earlier in the newspaper which some Members of Council alleged that I was delaying the audit. And so, I certainly have nothing to fear from it and would like to get it out as soon as possible. So, to delay it, looks, I think to the public, will look like there is some reason to delay it."

Committee Member Fish stated, "I might remind you, Mr. Supervisor, that I did talk to you Thursday. I told you a couple reasons we were going to look at that. Also, I was concerned about Mr. Martin, and you informed me that since he reports to you, you'll decide when he's ready to work, and he's ready to come to work. So, that was a second issue, so, tell the whole story."

Supervisor Daniel Davis stated, "Well, that is true. I would make the decision whether he was prepared and up to snuff enough to listen to the audit, and he was indeed back to work and was prepared to listen to it. So, that's the reason..."

Committee Member Fish stated, "There is a motion and a second. I would call for the vote."

Committee Member Steve Davis asked, "Mr. Chairman, can I be recognized eventually?"

Chairman Schurlknight responded, "Yes, Sir; go ahead Mr. Davis."

Committee Member Steve Davis stated, "I'm gonna take responsibility for the delay myself. I've been sick, ok? And, I haven't had an opportunity to review it at all. I've been – I had surgery, and I had my wisdom tooth removed at 52, and it's not a good experience, and I'm not prepared, and so, if they want to put in the newspaper that I'm responsible, I'll take responsibility to some degree, but I understand that, you know, justice delayed is justice denied, but I don't think 30 days would be outlandish. There's no detrimental injury to any particular parties. Mr. Finney has completed his report. I don't see why we can't have comity, c o m i t y, on County Council where we can engage together in a fashion that's in the best interests of all the citizens of Berkeley County."

And so, I think we should honor the request of these individuals who say they want to wait 30 days. Having the public being fully aware that if a pointing finger, tell them, Mr. Davis is going to take responsibility, because he had surgery, and he's not prepared himself to address the issues tonight. But, I would tell you in advance that I would be in favor of holding it 30 days."

Chairman Schurlknight stated, "Mr. Davis, I can appreciate what you were saying. I guess I'm just, I'm dumbfounded on the thing, because this same group has had hard evidence for the last six or eight months."

Committee Member Steve Davis stated, "I'm not part of that group."

Chairman Schurlknight stated, "I understand; I understand."

Committee Member Steve Davis stated, "Ok."

Chairman Schurlknight stated, "My thing is, you know, they've had hard evidence since it started and before then. Now, you are wanting to delay it again is just appalling to me. Anyway, I have a motion and second. Any other discussion."

There was no further discussion.

The motion passed by majority voice vote of the Committee. Committee Member Call and Committee Member Pinckney voted, "Nay."

Chairman Schurlknight stated, "The motion carries. We will hear it next month."

Committee Member Fish stated, "Thank you."

2. Berkeley County Audited Financial Statement for 2008-2009

Chairman Schurlknight stated, "Next on the agenda is Mr. Finney. Hopefully, it won't be a wasted trip for you, Larry. Larry will give us the Financial Statement for 2008-2009. Larry."

Mr. Larry Finney stated, "Thank you, Mr. Chairman. Hopefully, if we can get the screen working right here, we'll move forward."

Committee Member Callanan stated, "It's working on my screen."

Committee Member Fish stated, "It's working here."

Mr. Finney stated, "We'll move forward."

Chairman Schurlknight stated, "Ok."

Mr. Finney stated, "As you all know, it was – actually, you may or may not know that the County has a requirement to complete its annual financial audit and provide the financial statements to the Comptroller General's Office by the end of December, which was done, and which is why we are here in January to present the results of the audit. If you will, I guess, can I still use this (remote), or how is that going to work?"

Committee Member Callanan stated, "You can still use it, because it's in front of us, so, it's on my screen."

Committee Member Fish stated, "On these screens."

Mr. Finney stated, "Kace, if you would just change it for me; yeah."

Mr. Finney continued, "I always like to start out and remind you about the responsibilities of the County and the responsibilities for Green, Finney & Horton. The financial statements themselves, when we talk about the statements, we're talking about the balances and amounts that are in those statements, and that is the responsibility of the County. That's what Kace and her staff are doing day to day, is recording those transactions. They are also responsible for the processes and procedures that take place, in order to make sure there are good controls along the way. What you then ask us to do is to come in and review those controls, processes and procedures, as well as to perform the audit services to look at those transactions and make sure that everything that everything is fairly stated. The result of our audit is an opinion and, basically, in that opinion it says, 'Is everything fairly stated in all material respects and is providing reasonable assurance?'"

Mr. Finney continued, "I am glad to tell you that for the year end of June 30, '09, the opinion that the County received is what we call an unqualified opinion, and what I'd like to tell you is that's as good as it gets. The County cannot receive a better opinion than the unqualified opinion that it received for the June 30, '09 financial audit. What I would like to do now is take a few minutes and just kind of give you some highlights of where the County is as far as its financial condition at June 30, '09. You can see there in front of you – I want to spend a couple minutes talking about the primary operating fund for the County, which is the General Fund. The best news that I can tell you is that you can see there that the General Fund fund balance, actually, increased about \$950,000 for the year. And, to tell you what good news that is, the best way I could probably do that is to tell you that we provide audit services to about 40 local governments around the State of South Carolina, and I can count on one hand the number of those local governments that, for this last fiscal year, saw their General Fund fund balance increase. So, that tells you just how good those results are for this year. What that does is – you can see – that leaves an unreserved fund balance for General Fund at June 30, '09 of about 4.4 million dollars. Almost a million of that is designated for the carryover balances for the elected officials, so there's about 3.4 million that has been set aside for the fund balance policy. As you know, the County's fund balance policy is fifteen percent. This balance

represents not quite seven percent, so it's a move in the right direction, but we have some more work to do to get there."

Mr. Finney continued, "That next slide you'll see is – I also would like to remind you about why it's so important to have a healthy fund balance. I guess, probably, the two things that I want to point out here is, number 1, from our perspective, by far-and-away, one of the most important things is just for cash flow purposes. Remember, when we're measuring fund balance at June 30, '09, the County's not going to receive any more significant property tax revenue for about five to six months. So, you need some cash flow to help carry you through, and obviously, with the kind of economy we're in, unanticipated events, emergencies, there's all kinds of other reasons that it's good to have a healthy fund balance as well. How do we get to that point with the fund balance? General Fund revenues, you can see, basically, we're flat. They were just down a little bit from the prior year. You can see the taxes, including the FILOT (fee-in-lieu of tax) were up about seven percent. The rest of the revenue for the most part was down, basically, due to the economy. Whether it's fines and forfeitures, whether it's permits and licenses, state revenue, the economy had a big impact on all of that. If we look at it compared to budget, you'll see that same slide, that last bullet there – actual revenues were about 3.9 million under what we budgeted for the year. Again, the primary reason for all of that is the economy affecting our revenues.

Mr. Finney continued, "On the expenditures side, if you look at it compared to the prior year, expenditures were really, essentially, flat too, just up a little bit from the prior year. Most of that increase was due to a personnel and fringe benefits. And, you can see the breakdown by some of the major areas where we saw some increases and decreases. If we look at it compared to budget, again, expenditures were actually 3.9 million below what we budgeted as well. Most of that was due to two things. One is personnel cost, both salaries and fringes being lower than what we budgeted; and also, I think, the County did a good job in terms of managing its expenditures when they realized the revenues were going to be down. They responded by really trying to hold the expenditures down as well and did a good job with that. That's General Fund."

Mr. Finney continued, "I've got one slide on some of the other significant governmental funds for the County. You can see there, Capital Projects Fund has got about 11.6 million dollars sitting in Fund Balance. Those represent unspent bond proceeds for capital projects that have already been approved. Debt Service has got almost 3 million sitting in fund balance. That's to help pay for future Debt Service costs. And then, the Special Revenue Funds has about a 6 million dollar fund balance in those funds. And, I've given you a little bit of detail there, in terms of what makes that up, the bulk of it being 2.8 million for impact fees and the 1.6 million for the Economic Development Funds."

Mr. Finney continued, "I want to spend a few minutes now talking about your Enterprise Funds, the activity there. Let's start with Water and Sewer Fund. You can see the operating revenues were about, a little over, 34 million dollars for the year – up about 4.8 from the prior year. That was basically due to the increase in the fees. The one-time,

non-recurring fees were down slightly, but the recurring water and sewer charges were up, due to the rate increases. On the Operating Expense side – about 26 million dollars, just a slight increase from the prior year. Again, you can see what makes up – most of that was just due to an increase in depreciation expense, because of the on-going capital projects. That left Operating Income – before we get into the non-operating and the transfers of about 8.7 million dollars, compared to 4.4 in the prior year. Again, that increase is due to the rate increases that took place during the year. You can see Debt Service there represents 14.2 million dollars, which is a significant piece of the totaling operating expenditures for water and sewer. And, we'll talk a little bit more about that in just a moment."

Mr. Finney continued, "If you go to the next slide, as we continue, there was – we started – if you remember, last year, there was a transfer from Water and Sewer to General Fund to repay that Public Service Authority debt. This year, what we started doing is making transfers from General Fund back to Water and Sewer to help repay that transfer from the prior year. So, where all that left us is that there was a net increase in Net Assets of about 7.8 million dollars. Down quite a bit from the prior year, but primarily due to those transfers that took place in the prior year into Water that didn't take place this year. So, if you look at that next bullet – again, remember now, when we talk about Net Assets, we're talking about the same thing as Fund Balance. It's just called Net Assets for the Enterprise Funds. So, we've got a Total Net Assets of about 169 million. The bulk of that, though, relates to Capital Assets into debt. So, if you pull that out, Water and Sewer has 15 million dollars of unrestricted Net Assets at June 30, '09. The issue that we have there that we always take a look at is – the debt documents call for Water and Sewer to be able to meet a Debt Service Coverage Ratio. Essentially, what we're doing is we're taking Net Income, we back out some non-cash items, and compare that to the Debt Service requirements for the year. The requirement, the minimum, is to meet a ratio of 1.2. The actual ratio for '09 was 1.33. What allowed us to be able to meet that was some one-time, non-recurring revenues, and I'll talk about that just a little bit more in a minute. That's Water and Sewer."

Mr. Finney continued, "We also have the Solid Waste Fund. I will tell you, it continues to do well. You can see Operating Revenues were 9.7 million, down just a little bit from the prior year. Operating Expenses were also 9.7 million, up just a little bit from the prior year. One of the major issues that we always have to look at is the Landfill closure and post-closure costs. You can see what happened there. Costs were down quite a bit, 140, compared to last year, 1.2 million, and that was due to the measurement of the Landfill and the change in the estimated capacity. Where that left us was, basically, breakeven for the year; ok, from an Operating Income standpoint. You can see Operating Income was 43 thousand dollars."

Committee Member Callanan asked, "Larry?"

Mr. Finney responded, "Yes, Tim."

Committee Member Callanan asked, “Did I miss somewhere, somewhere on here do we have...”

Chairman Schurlknight asked, “Mr. Callanan?”

Committee Member Callanan responded, “Yeah.”

Chairman Schurlknight stated, “What I’d like to do, I would like for Larry to go ahead through with the presentation. When he gets finished, then we’ll follow with questions and answering...”

Committee Member Callanan responded, “That’s fine.”

Chairman Schurlknight stated, “Without interrupting him (Larry). Thank you. Go ahead, Larry.”

Mr. Finney stated, “Thank you. Kace, next slide please. So we’re basically breakeven from an Operating Income standpoint. If we look at the Non-operating Income side, you can see, we had a decrease there from the prior year, due to Interest Income and to less grant revenue. So, we had a slight decrease in our Total Net Assets of about 180 thousand dollars. Where that leaves us with our Net Assets, or Unrestricted Net Assets, the equivalent of our fund balance is 6.9 million dollars. And, again, you can see there, they also have that Debt Service Coverage Ratio Requirement of 1.2. Solid Waste Fund has always done a great job of meeting that ratio, and this last year, was 1.78.”

Mr. Finney continued, “Next slide. Parks and Recreation Fund, basically, we’re talking about Cypress Gardens for the most part. Things changed a little bit, but not a whole lot from what we’ve talked about in the past. You can see Operating Revenues were down a little bit, 512 thousand, again, primarily, just due to the lower attendance at the Park, probably, with the economy. Operating Expenditures were 1.1 million. Now, that’s down about 310 thousand dollars, primarily because General Fund ended up picking up some costs that were shown previously in Cypress Gardens. So, we had an operating loss of about 600 thousand dollars that, again, was funded by General Fund. It’s probably the right time for me to just say, you know, we’ve talked about this for the last several years. It’s an ongoing issue in terms of the ongoing funding for Cypress Gardens. You can see right now where we stand, because of the General Fund picking up these deficits for Cypress Gardens is Unrestricted Net Assets is actually a deficit of about \$1,000,000.”

Mr. Finney continued, “Next slide. That’s a look at some of the major individual funds. As you know, a few years ago, the County also implemented GASB 34, which, probably, two of the primary changes with GASB 34 was number 1, a little bit different basis of accounting the way our transactions are measured, so we’re looking at things more like a private enterprise or a private company would. The second thing we are doing is we’re taking all of those individual funds now, and we’re adding them together

and saying, 'What do we look like overall as a County when we put all this together?' So, you can see that the highlights there – Assets of about \$600,000,000, most of that being the \$380,000,000 in capital assets and the \$167,000,000 in cash and investments, liabilities of about \$345,000,000, most of that being the \$280,000,000 in debt. So, that leaves us Net Assets of about \$259,000,000; Revenues of about \$138,000,000 and Expenses of about \$115,000,000. So, you can see the size of operation the County is when we put it all together."

Mr. Finney continued, "Kace, if you would go to the next slide. What I want to do now is just hit a few highlights, primarily, just a big picture as far as the debt and capital assets and a couple other things as well. This next slide, you can see, just kind of gives you a summary of where the County is as far as its overall debt picture. Total long-term obligations of about \$263,000,000 – that's, primarily, made up of the 205 million in Revenue Bonds, the 43 million in General Obligation Bonds, and then about 14-15 million in notes payable, post-closure costs for Landfill, and those types of things."

Mr. Finney continued, "If you go to the next slide, you'll see that as far as the activity for the year, what the County did this last year is – you did issue about 27 million in General Obligation Bond Anticipation Notes. The plan is, here before too long, to issue some General Obligation Bonds, because those Bond Anticipation Notes are short-term. The County also issued the 10 million General Obligation Bond to finance several major capital projects."

Mr. Finney continued, "Next slide, Kace. Also, just kind of a highlight that back in '07, and this is all disclosed in the notes to the financial statements regarding the agreement with Lake Marion Water Agency, not a whole lot of activity. This slide just kind of reminds you that's still there, and there's some commitments outstanding."

Mr. Finney continued, "And then, on the next slide, I have two slides, actually, where we spend a little bit of time talking about the sewer pollutants and total maximum daily load requirements. Again, all this is disclosed in the financial statements and the notes. The major thing here is, you're in the process of finishing up Phase I, still trying to negotiate about Phase II, but in the notes, we do talk about the fact that if we go forward as it is right now, the County's estimating, we're looking at an additional cost of about \$34,000,000 to comply with Phase II."

Mr. Finney continued, "Next slide. I know all of you are familiar with the other post-employment benefits. This has been discussed over the last year or two. This year, fiscal '09 that we did the audit for was the year that the County had to implement this other post-employment benefits standard. So, what we have done here is kind of summarized for you the results of that implementation. The key number on an annual basis is that third bullet down there, the annual required contribution. Basically, what's happened is an actuary has calculated what the County's annual required contribution should have been in order to satisfy their long-term commitments. That was 1.7 million dollars. The County did not fund that this last year, and that is another matter that I'll

talk about just a little bit more in a couple moments, but it's another funding matter and issue that the County is going to have to address going forward."

Mr. Finney continued, "The next slide is just simply to make you aware of the fact that there are going to be – we've been talking about Fund Balance and Unrestricted/Unreserved Fund Balance. That terminology is getting ready to change shortly, so, just to make you aware going forward, you will hear us talk more about some new terminology as it relates to Fund Balance."

Mr. Finney continued, "Next slide. If you come back to the results of the audit now, we've talked about kind of where the County's at, it's financial condition. Two other things that we do as a result of the audit, one, because the County receives a significant amount of Federal grant money, we are actually asked to look at the County's compliance with the Federal requirements. And, so, we select a program or two every year, and see how the County is doing as far as its compliance with those Federal programs. If there were any significant non-compliance matters, we would have what are called findings, these single audit findings. And, you can see that we did not have any for the current year. The testing that we did, the County was doing a great job with its compliance with those programs. The second thing that we do is we also issue what we call a management letter, which is a separate document that you've got on our letterhead. What I'll do in the slides here is just kind of touch on them really briefly. Two things in there – the first two pages are, basically, some required communications from us to you. Nothing significant that we need to talk about there. We also have three recommendations for the County to consider as it moves forward as a result of our audit this year. The first one relates to something I just mentioned a moment ago, and that's the long-term funding issues that you have with your other post-employment benefits. Obviously, that 1.7 million dollars is not a small amount of money, but because the County did not fund that annual required contribution this year in '09, that annual required contribution amount is going to go up for 2010, and that's going to continue until the County can address the funding of those other post-employment benefits. So, that is one matter that the County's gonna need to address going forward. A second matter that we discussed is this Debt Service Coverage Ratio that I mentioned. For 2009, the County was able to meet that ratio, because of some one-time revenues. What we'd recommend that the County do is look at a way that's going to get Water and Sanitation to the point that they are able to meet that Debt Service Coverage Ratio with its on-going water and sewer charges, as opposed with the one-time, non-recurring revenues. And, the third comment or recommendation that we have is – there was still – when we came to the County to begin our audit work in early December, there was still quite a bit of work that needed to be done to get all closed out and get it ready for us. And so, we've talked with County management about what they need to do to make sure that things are in a little better shape when we come in December of next year."

Mr. Finney continued, "The last slide, Kace. Just coming back to a brief summary, I guess, the highlights of what we've talked about. Number 1, unqualified opinion, that's as good as it gets as far as the County is concerned for its financial audit. Number 2, I want you to hear again, the County did an excellent job this year in

managing its finances. To end up with any kind of increase in Fund Balance for General Fund under the economic conditions that we have right now is doing an excellent job. I've got a little bit more information in there about General Fund Balance and continuing to move forward to, hopefully, we can get to the point that we can continue to move forward in meeting our policy. So, with that, Mr. Chairman, I'd be glad to answer any questions anybody had."

Committee Member Callanan stated, "Mr. Chairman."

Chairman Schurlknight stated, "Larry, we really appreciate you coming out tonight. It's always good to hear good news, especially in these economic times. As Chairman of the Committee, I'd like to tell staff how much I appreciate everything that the staff has done this year, and really, the employees also. They really stepped up to the plate. There's been a lot of stuff, even in this budget year here, we've had some tough challenges, and everybody has really come together on this thing, and I really appreciate, and the taxpayers of Berkeley County needs to appreciate that also. It's been well managed, and I think it's really shown on this report. Larry, I appreciate you going at it in depth with us and giving us some good feedback that we need to look at to help us keep tweaking as we move forward. You brought us real good points that we will take very seriously. Thank you again."

Chairman Schurlknight continued, "Mr. Callanan."

Mr. Finney asked, "Can I also just follow up on your comment real quick, Mr. Chairman. I want everybody to hear from us that you really do have some good financial staff, both here at the County and at Water and Sanitation. They know what they're doing. They're maintaining their records in good shape, keeping track of stuff during the day, and it makes everything go real smooth when it comes to getting the audit done. I wanted you to hear that from me as well."

Chairman Schurlknight stated, "Thank you for those kind words."

Chairman Schurlknight continued, "Mr. Callanan."

Committee Member Callanan, "Hey, Larry; the question I have is I see that you put in there the Fund Balance for the County General Fund. Unless I missed it, I don't see the Fund Balance for Water and Sanitation."

Mr. Finney responded, "Well, if you'll go to the slides on Water and Sewer Fund. Tim, on the second slide, when we talked about the Net Assets of Water and Sewer Fund being – Unrestricted Assets being \$15,000,000..."

Committee Member Callanan stated, "Ok, so the Unrestrict..."

Mr. Finney stated, "That's the equivalent of Fund Balance for them."

Committee Member Callanan asked, "OK; so that equates to about, what, 45 percent of Operating Revenues?"

Mr. Finney responded, "Actually, even higher than that, compared to your Operating Expenses."

Committee Member Callanan stated, "Oh; Operating Expenses; I'm sorry."

Mr. Finney stated, "Yeah; so it would be probably about 60 percent or so."

Committee Member Callanan stated, "And the issue coming up this year, naturally, is Coverage Ratio, and I'm assuming when you say one time, it's that moratorium that was part of it that we did where we had several hundred people prepaid their impact fees. Was that not it?"

Mr. Finney responded, "That's part of it, yes."

Committee Member Callanan questioned, "That's part of it?"

Mr. Finney responded, "Uhm."

Committee Member Callanan questioned, "What is having a healthy Fund Balance, in that, would be a healthy Fund Balance, correct?"

Mr. Finney responded, "I agree."

Committee Member Callanan questioned, "What would prevent us from starting to use that Fund Balance to pre-refund some of this debt; therefore, making it easier for us to meet our Coverage Ratio?"

Mr. Finney responded, "That's a decision that you as a County, obviously, would have to make. The Coverage Ratio, what you have to remember about the Coverage Ratio is it may not necessarily change your short-term annual payments. What this Coverage Ratio looks at is what the Debt Service – the principal and interest requirements are for a given year. So, how, if you were to pay off some of that debt early, it may or may not change the calculation of this ratio, depending upon what the new payments would look like. In other words, the payments might be the same, if you're simply going to say, we're just going to pay it off in less time, as opposed to reducing the actual annual payments. Does that make sense?"

Committee Member Callanan questioned, "Ok; and you may not know this, and we can probably bring this up with Water and Sanitation, but are there any bonds that we can currently call in or that would be worthwhile to call in with a Fund Balance like this?"

Mr. Finney responded, “We’d have to take a look at that with Water and Sanitation. I can’t tell you right off the top of my head.”

Committee Member Callanan stated, “Because I’d be loathed to – you know, with a healthy Fund Balance like that, you know, look at a rate increase when you are sitting on a 60 percent, 70 percent Fund Balance, it just doesn’t make sense to me. So, that’s all; thank you.”

Committee Member Steve Davis stated, “Mr. Chairman?”

Chairman Schurlknight responded, “Mr. Davis.”

Committee Member Steve Davis stated, “Mr. Finney, this post-employment benefit issue, is it just germane to Berkeley County Government or is this an issue that runs across those other 40 local government units you discussed earlier?”

Mr. Finney responded, “This actually is an issue, Mr. Davis, that every local government that provides any kind of retiree health insurance, they’ve got this very same issue. And, I’ve got clients across the board. I’ve got, for the most part, what we’ve seen happen is local governments are either significantly changing, and by changing, I basically, mean reducing those benefits to where the cost is more manageable or they are dealing with the same issues from a funding standpoint and saying how are we going to do this going forward. So, it’s not unique to Berkeley County.”

Committee Member Steve Davis asked, “And, this avoidance, like we did in 2009 does not address the issue then, right?”

Mr. Finney responded, “No; it doesn’t address the long-term funding issue at all.”

Committee Member Steve Davis stated, “Ok; another issue I had was the issue when we went before the citizens and we had a 30 percent rate increase, and, hopefully, that was to change this debt ratio that you were talking about?”

Mr. Finney questioned, “The Debt Service Coverage Ratio? Yes, Sir.”

Committee Member Steve Davis questioned, “But yet, we’re still not where we should be?”

Mr. Finney responded, “No; you’re closer than where you would have been otherwise, obviously, and if you actually look at the details of our recommendation, what we specifically mention in there is to look at continuing those small incremental increases in the charges until you can get to the point that your recurring revenue is helping you to be able to cover that ratio.”

Committee Member Steve Davis questioned, “So in that vain, you are suggesting that citizens who utilize water and sewer may be subjected to more increases – rate increases?”

Mr. Finney responded, “Yes, Sir.”

Committee Member Steve Davis questioned, “Above and beyond the 30 percent we just did recently?”

Mr. Finney responded, “Yes, Sir; that is what we are recommending.”

Chairman Schurlknight asked, “Is that it, Mr. Davis?”

Committee Member Steve Davis responded, “Ok; thank you.”

Chairman Schurlknight asked, “Larry, since Councilman Davis is talking about the rate increases and the 30 percent, if you don’t mind, could you give us a little history behind that 30 percent, and what led up to this? There’s been a lot of talk about – a lot of misinformation has been put out about why we had to go up to 30 percent. Debt Ratio Coverage is based on revenue and how much you have coming in. Can you give us a little history on that, and, maybe, we can clarify some points.”

Mr. Finney responded, “Yeah; just from the standpoint of a – you know, that rate increase was initially discussed prior to the issue of the 2005-A Bonds. When ERC did their engineering study, that’s when we first saw that discussion of that rate increase. Basically, at that time, what they did is they recommended a rate increase based on, as they projected, Revenues and Operating Costs. They looked at the Debt Service requirements of the 2005-A Bonds, and they looked at the projected Operating Cost increases. And, based on that, their recommendation was that without that rate increase, I think in the study, they mentioned either in 2007 or 2008 that the Debt Service Coverage Ratio would not be able to be met. So, that’s where all that came from.”

Committee Member Steve Davis questioned, “Mr. Chairman, part of that history also dealt with that fancy accounting procedure we did with the swapping of the bonds with the former Supervisor?”

Mr. Finney responded, “Yeah; actually, Mr. Davis, the swap and that variable rate debt really did not have an impact on that rate increase.”

Committee Member Steve Davis questioned, “It did not?”

Mr. Finney responded, “It did not. That rate increase would have had to be there whether that swap had been done or not, either way.”

Committee Member Steve Davis questioned, “So, it was a bi-product of a delay in actually putting an increase in place much earlier or more timely?”

Mr. Finney responded, "That 30 percent, yeah. The ERC engineering study went before the bonds were issued. Their recommendation was that that rate increase take place in 2007. So, when that did not happen, it just happened later than when they had initially projected."

Committee Member Steve Davis stated, "Pay me now or pay me later. Pay now or pay later, in essence."

Chairman Schurlknight stated, "And one of the things, I think that was leading up to that was under the previous administration, the dependency on impact fees supplementing the operational budget had a lot to do with that, and when the crash came, we lost what, \$9,000,000 in impact fees. So, that was another reason we had to make up on the revenue side of it. Is that correct?"

Mr. Finney responded, "Well, that rate increase was really planned whether that had happened or not, to be honest with you. I mean, it..."

Chairman Schurlknight stated, "Right; yeah; and you know, the thing that was confusing to me is, I think, in May of '06, the director of Water and Sanitation stood right here and told Council that we wouldn't have to have a rate increase for five years. And then, we had a new director to come in, and the first thing he recommends is do a rate study. You know, there was a lot of confusion out there. I'm just wondering why – what was prompted – that statement to Council about we wouldn't have to raise rates for five years, in reality, we needed to continue to raise rates, a little at a time, and if we kept putting it off, we were looking at another 30 percent, instead of going up a little at a time. My opinion on impact fees, I think they need to be set aside for capital improvements, and rates need to fund your operational budget. Do you agree with that? Is that it?"

Mr. Finney responded, "That's why we have the recommendation that we do, because you need to get your charges, your annual charges, to the point that they cover your Debt Service Coverage Ratios so you can use your non-recurring fees for maintenance and on-going projects."

Chairman Schurlknight stated, "Yeah; and I think, because out of sound management, and I think that's also showing on this last audit we had for last year that we're moving in that direction, getting away from that dependency and getting things to where it needs to be."

Committee Member Steve Davis stated, "Mr. Chairman, I've got one more question, please."

Chairman Schurlknight responded, "Mr. Davis."

Committee Member Steve Davis questioned, "Under Parks and Recreation Fund, did you find any other recreational entity other than Cypress Gardens – in reference to –

we got a Parks and Recreation Fund. Were there any other entity other than Cypress Gardens that money is addressed from the General Fund and goes to Parks and Recreations?”

Supervisor Daniel Davis responded, “Spiers Landing.”

Committee Member Steve Davis responded, “OK.”

Committee Member Callanan responded, “But, that’s not an Enterprise Fund.”

Committee Member Steve Davis responded, “That’s separate. Mr. Finney, this is another little trick question. Ain’t no trick question. Trust me, it is not a trick question. When we, you, say Parks and Recreation Fund, under an itemization under that, what entity exists under that other than Cypress Gardens?”

Mr. Finney responded, “It’s just Cypress Gardens.”

Committee Member Steve Davis stated, “OK. That’s what I wanted to know. And so, that’s Berkeley County Parks and Recreation – Cypress Gardens?”

Mr. Finney responded, “Correct.”

Committee Member Steve Davis stated, “OK. Now, having said that, we have a deficit right now of \$1,036,000 and still incurring. What are your recommendations in this area, Sir?”

Mr. Finney responded, “We’ve been discussing this for several years.”

Committee Member Steve Davis stated, “I need to remind them. I want you to remind us.”

Mr. Finney responded, “We, actually – there’s a lot of different alternatives for funding that, but that’s really a little bit out of our purview in terms of the details on how you might do that.”

Committee Member Steve Davis stated, “OK; but would it be fair to say from accounting purposes, it needs to be addressed?”

Mr. Finney responded, “Absolutely.”

Committee Member Steve Davis stated, “And the last point – I know you were before us the last time, and you told us that we needed to have a Fund Balance of about 15 percent, and we’re making efforts to move in that direction. And, I think, you have included some recommendations, specifically, to address that.”

Mr. Finney responded, “Yes.”

Committee Member Steve Davis responded, "OK. The things that we have put in place – I know, we received an unqualified opinion, so that's great, but as you review the information or the management with Finance, you feel that we're moving in that direction satisfactory to get to 15 percent Fund Balance?"

Mr. Finney responded, "Absolutely; especially, under the circumstances we have in the economy right now; definitely."

Committee Member Steve Davis stated, "Thank you, Larry."

Chairman Schurlknight stated, "Mr. Supervisor."

Supervisor Daniel Davis stated, "The reason I mentioned Spiers Landing – now, previously, we've not had any expenses or any costs at Spiers Landing, but beginning this year, we will, because with the new contract for the operations Spiers Landing, you know, we are going to incur some expenses. Now, how we book that, it just makes sense that we will book that in a Recreation Fund as an Enterprise, but we haven't made that decision. But, we do have two parks that the County operates, and we just operate them differently. But, next year, I think, we'll have to reflect Spiers Landing along with Cypress Gardens. I just wanted you to know that we do have an obligation for Spiers Landing, because we lease that from Santee Cooper."

Supervisor Daniel Davis continued, "Mr. Finney, I wanted to go back to the rate increase in the bond issue, because we weren't necessarily talking about dollars, and I'm not sure the public understands. The 2005 Bond issue, the amount of that was \$105,000,000, correct?"

Mr. Finney responded, "Correct."

Supervisor Daniel Davis stated, "And \$105,000,000, that almost doubled the amount of bonded – of debt – at Water and Sanitation at that time. It wasn't exactly."

Mr. Finney responded, "Yeah."

Supervisor Daniel Davis stated, "But, we basically doubled it. So, to put it in common sense terms, the best way that I know to do it, is that, I think, prior to the 2005 Bond issue, 23 cents, out of every dollar went to pay for debt service, because of the debt we had at Water and Sanitation. After the 2005 Bond issue, that debt went up to either 44 cents, your figure, I think, said 47, so I'm not sure which one, but it went up substantially, to where now, somewhere around 44 cents out of every dollar that is collected at Water and Sanitation just goes to pay debt. Now, that's not to editorialize and say it's a bad thing. We're a growing system. We're rural County. You know, that's required. A lot of the improvements in the \$105,000,000 Bond issue were absolutely necessary to accommodate the growth that we've had. And, we had a meeting this afternoon with staff to discuss that, and really trying to accomplish what Mr.

Callanan was talking about, and that's to look to see if there are any dollars available that we can pay back to reduce the debt and, therefore, reduce some operating expenses for Water and Sanitation, which would take the relieve off the rates. Now, all of that is just to say that with the \$105,000,000, the County Council was presented with a plan to borrow the \$105,000,000, and, as a part of that, along with it came an engineering report that said, 'if you borrow this \$105,000,000, then you are going to have to raise rates 30 percent, in order to pay the debt and pay operating costs'."

Mr. Finney responded, "And to meet the ratio."

Supervisor Daniel Davis stated, "And to meet the ratio. So, it really is simply a matter – and again, I'm not saying that the \$105,000,000 we should or should not have borrowed it, but the point is that it was very clear to the County that if we borrowed the \$105,000,000 then we should have raised the rates. The timeline, then, we did not. The director of Water and Sanitation then said that we didn't need to raise rates for five years, and don't understand why that was said and, really, not going to get into that. But then, we got caught, you know, behind the eight ball when the synthetic bond of 2006 exploded, and, basically, the rating agency said, 'you will raise the rates, or we will not rate your bonds, and you can't correct the problem'. Is that pretty much how it happened?"

Mr. Finney responded, "I don't know the details about what the rating agency said, but I do know that it eventually caught up with you, and you got to the point that you really had to do it."

Supervisor Daniel Davis stated, "And that is essentially what we were told that we, you know, we needed to do what was originally in the bond ordinance, what the County had committed to do in 2005, which was raise rates 30 percent. Now, the rate was higher, because we hadn't raised them, and we had more debt to deal with, because of the synthetic bond, we had more expenses to deal with. And, so, the rate increase was eventually done. But, basically, we had no choice but to raise the rates as was contained in the bond ordinance of 2005. OK; thank you."

Committee Member Callanan stated, "Larry, a couple I have. My recollection is that that engineering report that recommended the rate increase, they recommended a 20 percent rate increase."

Mr. Finney responded, "I think it was 27 percent is what they recommended."

Committee Member Callanan responded, "Alright. The other question I had was this annual required contribution of 1.7 million dollars. Since we didn't make that this year, that accumulates, I assume?"

Mr. Finney responded, "Yes, it does."

Committee Member Callanan asked, “So next year, we have to – in order to catch up, we have to pay 3.4 million?”

Mr. Finney responded, “Well, yeah; that’s not exactly right, because they – you had some catch-up costs that are being amortized over 30 years. That’s the way that the standard works. So, that’s going to get thrown into those catch-up costs. So, it won’t be 3.4, it will be, I don’t know, 2 million, 2.2. Who knows that it is, but it will be a higher number than the 1.7.”

Committee Member Callanan asked, “OK, but we added \$900,000 to the fund, right?”

Mr. Finney responded, “To Fund Balance.”

Committee Member Callanan asked, “So, if we were to pay that off, we would have taken \$1,000,000 out of the fund, correct? If we were to have made that required contribution, we...”

Mr. Finney responded, “Now, the annual required contribution is more of a cash flow issue than it really is an expense issue. We’d have to go back and kind of recalculate what would have happened with Fund Balance, because it’s not necessarily all expense, but it is a cash flow matter.”

Committee Member Callanan responded, “Right, but if the contribution would be made, we’d be in a deficit.”

Mr. Finney responded, “You’d be in a different position, yes.”

Committee Member Callanan responded, “OK.”

Committee Member Fish stated, “Mr. Chairman.”

Chairman Schurlknight responded, “Mr. Fish.”

Committee Member Fish stated, “One of the things that, you know, we talked about the \$105,000,000 bond in 2005, yet, according to your report, as of June, we still have almost \$80,000,000 of that \$105,000,000 that hasn’t been spent yet – five years later.”

Chairman Schurlknight responded, “Exactly, that’s the quandary we’re in now.”

Committee Member Fish stated, “It’s Jim Rozier’s fault.”

Chairman Schurlknight stated, “Why did we pull down \$105,000,000, and five years later, we still have \$80,000,000. And, we’re looking at how much it’s gonna cost us in penalties to try and send it back.”

Committee Member Fish asked, “What brought you...”

Chairman Schurlknight responded, “Excuse me, Mr. Fish, I’m speaking right at the moment. But, I don’t understand why we just didn’t pull down what we needed on small issues, basically, what we’re doing on the one-cent sales tax for the roads. You know, we could go out and get \$150,000,000, but there ain’t no way we’re gonna do that. We’re gonna bring it down as we need it. And, that was one of the things that concerned me, as you come back to management decisions, I just don’t understand the rationale of thinking between that and putting off the rate. I just don’t understand that. Anyway, it might get a little clear to us.”

Committee Member Callanan stated, “And, I actually have one question on that, if I can.”

Chairman Schurlknight responded, “Go ahead.”

Committee Member Callanan asked, “Why do we not – that money is sitting in an account collecting interest, right?”

Mr. Finney responded, “Correct.”

Committee Member Callanan asked, “And then, we’re paying interest on it in the bond?”

Mr. Finney responded, “Correct.”

Committee Member Callanan asked, “Is there a positive or negative arbitrage on that, like cash flow on that?”

Mr. Finney responded, “I’m not sure what it is at the moment, do you?”

Mr. Finney responded, “OK; so, we don’t have any arbitrage that we’d have to pay back right now.”

Committee Member Callanan stated, “OK; so, the thing that I don’t understand is when we collect interest, that goes into another account, rather than – then all of a sudden at the end when all the projects are done, we say, ‘hey, we have an extra pool of money’, rather than that money that we are collecting in interest is being used to, actually, pay the interest.”

Mr. Finney responded, “Yeah; actually, I think, generally, that interest income’s, basically, been used as a Contingency. You know, you don’t know exactly what’s gonna happen with costs on those capital projects, so that interest income is sitting there. If costs overruns occur, we’ve got some funds to help us out. If we don’t, then we’ve got some funds to do some other projects down the road or whatever...”

Committee Member Callanan responded, “Or what we should be doing is using it to pay the interest on the money that we’re borrowing and not using.”

Mr. Finney responded, “That’s another option.”

Committee Member Callanan stated, “To try and neutralize the affect of it. Alright; thank you.”

Chairman Schurlknight asked, “Are they any other questions?”

Committee Member Fish stated, “I guess, I’m confused. We’ve got projects approved that we haven’t done, but yet, we do projects that haven’t been approved.”

Chairman Schurlknight responded, “Mr. Fish, if y’all would have allowed – I’m not even going there.”

Chairman Schurlknight continued and asked, “Do we have any other questions for Mr. Finney?”

There were no further questions.

Chairman Schurlknight stated, “Thank you, Larry. Thank you very much.”

Chairman Schurlknight stated that the following presentation by Ms. Smith would be provided as information only.

C. Ms. Kace Smith, Berkeley County Finance Director, re:

1. Proposed Capital Projects, General Obligation Bonds, Series 2009A

and

2. Five-Year Capital Improvement Program

Ms. Smith stated, “Good evening, Council. As you know, we sent you some information included in the packet on the 2009, Series A, Bond. As you may remember, we borrowed about \$10,000,000. After the bond issuing costs, we’ve got about 9.9 that we can designate for capital projects. The detention center, or the completion of the detention center, will take about 4.7 million dollars of that money. We have included a list for your review and approval at the next month’s Council Meeting in February on these projects. We will be sending you detailed information on these projects, what the scope is and other information on the projects. In addition to that, staff worked on a five-year capital project list. Going from 2009-2010 budget through 2013-2014, we’ve included the Capital Improvement Fund. We’ve included those projects in the Capital Improvement Fund that were approved by you all for 2009-2010. We’ve also included

obligations that we have for future years, such as are contribution for the assessment district that's going to be funded through the Capital Improvement Program. We've listed projects that we would like you to consider paying from the 2009 Bonds. That was on the first page that you looked at that totaled the 9.9. In addition to that, we went ahead and listed for you all projects that we knew of that needed to be looked at for future years. We're not asking for your approval of those projects at this time. We're just putting those out there, because they need to be done for the County, and it allows us to plan for the future."

Chairman Schurlknight stated, "Good; thank you, Kace."

Committee Member Steve Davis stated, "A..."

Committee Member Fish stated, "Mr. Chairman, I've got a..."

Committee Member Steve Davis stated, "Mr. Chairman."

Chairman Schurlknight stated, "Mr. Davis."

Committee Member Steve Davis stated, "Kace, I was watching one with specific interest to me. I mean, I'm concerned about all, but this is kind of dear to my heart, which is the St. Stephens Library, Magistrate and Senior Center. If I read this correctly, nothing is going to happen on those projects until 2011-2012, potentially?"

Ms. Smith responded, "Well, this is just a draft that we have sent you all, and we are certainly open to any suggestions that you have. Currently, we have a lease out there at St. Stephens, so we took that into consideration for the future."

Committee Member Steve Davis asked, "Is it a yearly lease, long-term lease, or what? I'll tell you what my concern is, Kace. It's just not proper if you are in one part of the County, and the facility is A-1, and then you go down to St. Stephens, and they have an old furniture store acting like a courtroom. And then, this is supposed to be reflective of our judicial system where we had the Honorable Justice Jean Toal come in here last week and told us about our great management system, and, in fact then, we have such a horrific looking building setting. So, I'm just asking this County Council and your input of what we can do to try to move up on the list instead of waiting until 2012 for some consideration. When you think about the overall setting and buildings that are similarly used in other parts of the County, it's just not right, and it's not fair."

Chairman Schurlknight stated, "What I would like to ask Council, if you all could do, is take that list, look at it and come back with some good questions, some suggestions for Kace on this thing. We are running pretty long right now. We'll hold our questions for our next meeting, and give ya'll a chance to go back and review this thing."

Chairman Schurlknight continued and stated, "I will entertain a motion to adjourn."

Committee Member Fish stated, “Mr. Chairman, you didn’t recognize my call.”

Chairman Schurlknight stated, “I’ll entertain a motion to adjourn.”

Committee Member Fish asked, “Mr. Chairman.”

Committee Member Callanan stated, “He’s not getting his motion.”

Chairman Schurlknight stated, “Mr. Fish.”

Committee Member Fish stated, “I would like to make a comment.”

Chairman Schurlknight stated, “That’s fine with me.”

Committee Member Fish stated, “I’m not sure why you are ignoring me. Number 1 is that looking at this plan, I know we’re not approving it tonight, but two years ago, we, this Council, approved taking the local options sales tax that all the voters had voted for the year before. And, we agreed to do that primarily for the Jedburg Road Project. We have no problem with that. I think the direction for supervision at that time – we’ll take this money for a couple years, but look for other alternatives to pay for that. And, I see your five-year plan, I’m ok with the Jedburg Road, but you are taking the whole three and one-half million dollars on local options sales tax. I just want to remind Council that our agreement was to take it for Jedburg, but not the whole thing. So, I just want to voice an objection that we’re taking money, which increased the tax, an increase on our taxpayers, for something they voted for a number of years back – just a comment. Thank you, Sir.”

Chairman Schurlknight stated, “OK. And, Mr. Fish I would like for you to think about that until the next meeting, and come back, and give us a suggestion on where we might could find that money to fund this. My hopes are – is to pay this debt service down, so that money could go towards capital improvements. Unfortunately, we’ve got a long ways to go of what we’ve inherited, but anyway, I will entertain a motion to adjourn.”

It was moved by Committee Member Steve Davis and seconded by Committee Member Callanan to **adjourn** the meeting of the Committee on Finance. The motion passed by unanimous voice vote of the Committee.

Meeting adjourned at 7:35 p.m.

February 22, 2010
Date Approved